

CLEVELAND TOWN
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

**CLEVELAND TOWN
BASIC FINANCIAL STATEMENTS
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SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REVIEW REPORT

Honorable Mayor and Town Council
Cleveland Town
P.O. Box 325
Cleveland, Utah 84518

We have reviewed the accompanying financial statements of governmental activities, each major fund, and the remaining fund information of Cleveland Town, (a municipality) as of June 30, 2006, which collectively comprise the Town's basic financial statements, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Cleveland Town.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the generally accepted accounting principles.

The Management, Discussion and Analysis as listed in the financial section of the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING



Price, Utah

December 27, 2006

**CLEVELAND TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Our discussion and analysis of Cleveland Town's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- ❖ The Town's net assets increased \$91,832 as a result of this year's operations. Net assets of our governmental activities increased by \$74,766, and our net assets of our business-type activities increased by \$17,066.
- ❖ Total expenses of the Governmental activities of \$261,966 were \$24,744 more than the direct revenues received of \$237,222 for governmental activities.
- ❖ In the Town's business-type activities, revenues of \$93,449 were \$17,066 more than the expenses of \$76,383 for these types of activities.
- ❖ Property Tax revenue for the year ended June 30, 2006 was \$18,874, Sales and Franchise Tax was \$69,942. Property Tax revenue increased by \$2,273, while Sales and Franchise Tax increased by \$6,302 from the previous fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most financially significant funds.

REPORTING THE TOWN AS A WHOLE

Our analysis of the Town as a whole begins on page 10. The Statement of Net Assets and Statement of Activities report information about the Town as a whole and about its activities in a way that helps determine if the Town is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the Town's financial position. Increases or decreases in the Town's net assets are one indicator of whether the financial position of the Town is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, water lines, sewer lines, drainage systems, and other capital assets to assess the overall health of the Town.

REPORTING THE TOWN AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including the general and administration cost, contributions to other agencies, fire, public works, parks department and cemetery. Property taxes, franchise fees, sales taxes and state and federal grants finance most of these activities.

Business-type activities—The Town charges a fee to customers to help cover all or most of the cost of services it provides. The Town's water, sewer and garbage services are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the permanent fund, both of which are considered to be major funds.

Proprietary funds – When the Town charges customers for the services it provides – to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The Town as Trustee

The Town is a trustee – it is responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Town's activities are reported in the Permanent Fund as a Governmental Fund Type. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. The Town's Statement of Net Assets, which increased during the current calendar year, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. The government-wide financial statements include the Town's activity only. If the Town (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. The analysis below; focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 174,040	\$ 152,037	\$ 42,190	\$ 25,322	\$ 216,230	\$ 177,359
Capital assets	2,348,723	2,261,540	241,277	241,277	2,590,000	2,502,817
Total assets	\$ 2,522,763	\$ 2,413,577	\$ 283,467	\$ 266,599	\$ 2,806,230	\$ 2,680,176
Liabilities						
Current liabilities	\$ 38,706	\$ 4,304	\$ 4,281	\$ 4,329	\$ 42,987	\$ 8,633
Other liabilities	8,870	8,852		150	8,870	9,002
Total liabilities	\$ 47,576	\$ 13,156	\$ 4,281	\$ 4,479	\$ 51,857	\$ 17,635
Net Assets						
Invested in capital assets, net of debt	\$ 2,348,723	\$ 2,261,540	\$ 241,277	\$ 241,277	\$ 2,590,000	\$ 2,502,817
Restricted for:						
Class "C" roads	8,619	7,125			8,619	7,125
Perpetual Care Fees	125,062	124,067			125,062	124,067
Unrestricted	(7,217)	7,689	37,909	20,843	30,692	28,532
	<u>\$ 2,475,187</u>	<u>\$ 2,400,421</u>	<u>\$ 279,186</u>	<u>\$ 262,120</u>	<u>\$ 2,754,373</u>	<u>\$ 2,662,541</u>

Government-Wide Financial Statements (Continued)

Net Assets of the Town's governmental activities increased by 3.11 percent (\$2,475,187 compared to \$2,400,421). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is (\$7,217) deficit at the end of June 30, 2006.

Net Assets of our business-type activities increased 6.51 percent (\$279,186 compared to \$262,120). Unrestricted net assets for this group amounted to \$37,909. These net assets are used to finance the continuing operations of the water, sewer, electric and garbage service funds.

The Town's capitalization policy for assets that are being recorded as capital assets is \$5,000. This means that only those assets that the purchase price or valuation at the time of donation, are recorded in the asset list at the end of the reporting period.

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for services	\$ 14,192	\$ 3,100	\$ 93,056	\$ 87,883	\$ 107,248	\$ 90,983
Operating grants and contrib.	27,736	39,650			27,736	39,650
Capital grants and contributions	195,294	204,704			195,294	204,704
General Revenues:						
Property taxes	18,874	16,601			18,874	16,601
Sales taxes	69,375	63,640			69,375	63,640
Highway taxes		27,110				27,110
Other general revenue	11,261	14,718	393	308	11,654	15,026
Total revenues	\$ 336,732	\$ 369,523	\$ 93,449	\$ 88,191	\$ 430,181	\$ 457,714
Program Expenses						
General government	\$ 95,666	\$ 96,300			\$ 95,666	\$ 96,300
Public safety	4,549	20,666			4,549	20,666
Highways and public improve.	100,374	73,270			100,374	73,270
Parks and recreation	61,377	33,680			61,377	33,680
Water			\$ 76,383	\$ 71,859	76,383	71,859
Total expenses	\$ 261,966	\$ 223,916	\$ 76,383	\$ 71,859	\$ 338,349	\$ 295,775
Excess (deficiency) before transfers	\$ 74,766	\$ 145,607	\$ 17,066	\$ 16,332	\$ 91,832	\$ 161,939

Government-Wide Financial Statements (Continued)

Table 2
(Continued)
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Excess (deficiency) before transfers	\$ 74,766	\$ 145,607	\$ 17,066	\$ 16,332	\$ 91,832	\$ 161,939
Transfers		16,000		(16,000)		
Change in net assets	\$ 74,766	\$ 161,607	\$ 17,066	\$ 332	\$ 91,832	\$ 161,939
Net Assets - beginning	\$ 2,400,421	\$ 2,238,814	\$ 262,120	\$ 261,788	\$ 2,662,541	\$ 2,500,602
Net Assets - ending	<u>2,475,187</u>	<u>2,400,421</u>	<u>279,186</u>	<u>262,120</u>	<u>2,754,373</u>	<u>2,662,541</u>
Change in net assets	<u>\$ 74,766</u>	<u>\$ 161,607</u>	<u>\$ 17,066</u>	<u>\$ 332</u>	<u>\$ 91,832</u>	<u>\$ 161,939</u>

The Town's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the Town and those who are served by the Town's operations. As revenues increase, the funds will be used to make necessary improvements in government operations, road and recreation improvements, utility improvements and purchase of supplies and equipment that are appropriate and beneficial.

Governmental Activities

Revenues for the Town's governmental type activities, decreased \$165,842, a 45.09 percent decrease. Total expenses using these funds decreased \$182,230, a decrease of 45.8 percent. The largest decrease in revenue was in intergovernmental grant proceeds. The largest decrease in expenditures occurred in highways and public improvements. The largest sources of revenues are from sales and use taxes, CIB grant, and infrastructure grant work from CVSSD. These funds, and other special grants, enable the Town the opportunity to fund a variety of improvement and recreation projects. An overall decrease in revenues and expenditures resulted in a decrease of \$12,417 in fund balance for the year.

Governmental Activities (Continued)

The cost of all governmental activities this year was \$261,966. As shown in the Statement of Activities on page 12, Property, sales and franchise tax revenue and grant proceeds paid for all of these expenses in the current fiscal year. Class "C" road revenue of \$27,242 helped pay 27 percent of the Highway and public improvements costs. Overall, the Town's governmental program revenues \$237,222 paid 90 percent of the governmental activities expenditures.

Costs of the Town are centered within several programs—General government, Public safety, Highways and public improvements, and Parks and recreation. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Property taxes, Sales and franchise taxes and other miscellaneous revenue.

Business-type Activities

Revenues of the Town's business-type activities increased 5.88 percent (\$93,056 compared to \$87,883) while expenses increased 6.30 percent (\$79,383 compared to \$71,859). The largest increase in expenses occurred in professional and technical costs. All of the other expense categories for the business-type activities have not changed significantly during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town revised their budget once. The budget was amended from \$260,120 to \$340,988 some of the larger increases are summarized as follows:

- \$25,023 increase in capital expenditures
- \$12,569 increase in public safety expenditures
- \$8,812 increase in parks, recreation and public property expenditures

The increase was due primarily to an increase in intergovernmental revenues and transfers.

The actual charges for expenditures were \$215,393. This was \$100,277 lower than the final budget amounts. The most significant unfavorable variances occurred in parks, recreation and public property \$98,497.

Resources for revenues were \$197,130. This was \$103,858 below the final budgeted amount. The most significant unfavorable variance (\$104,499) occurred in the Intergovernmental revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2006, the Town had \$3,471,508 (cost) invested in a broad range of capital assets, including water stock, land, buildings, improvements other than buildings, machinery and equipment, and infrastructure (see Table 3 below). This amount represents a net increase (including additions and deletions) of \$199,742 or a 6.10 percent increase over the previous year.

Table 3
Capital Assets at Year-End
(Net of Depreciation)
June 30, 2006

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2006	2005	2006	2005	2006	2005
Water stock			\$ 241,277	\$ 241,277	\$ 241,277	\$ 241,277
Land	\$ 66,711	\$ 50,886			66,711	50,886
Buildings	274,594	177,917			274,594	177,917
Improvements other than buildings	331,119	234,230			331,119	234,230
Machinery and equipment	338,063	195,615			338,063	195,615
Infrastructure	2,461,021	1,602,892			2,461,021	1,602,892
Total assets activities	<u>\$ 3,471,508</u>	<u>\$ 2,261,540</u>	<u>\$ 241,277</u>	<u>\$ 241,277</u>	<u>\$ 3,712,785</u>	<u>\$ 2,502,817</u>

This year's major addition includes:

Capital improvements – New sidewalks, curbs and gutters	\$133,757
Main street park	30,746
Equipment – Truck and mower	34,697

The Town's fiscal year 2006 capital budget calls for spending \$139,200 on capital projects; principally for the construction of curbs and gutters.

Long-term debt

As of June 30, 2006, the Town did not have any long-term debt or capital leases. The Town is not planning to add any debt in the next fiscal year.

ECONOMIC FORECAST AND FUTURE BUDGET

The Town was awarded a \$77,038 grant from the Community Development Block Grant Program along with a \$7,050 match from the Emery County Fire District in February 2006. The Fire Department purchased the equipment in December 2006. The grant will be finalized in January 2007. The Town was also awarded a \$33,250 grant from the Permanent Community Impact Fund, to purchase a Town maintenance truck and a lawn mower. This grant money was received in May of 2006. The Town also made the 2nd installment of \$5,550 on the Main Street property. The final payment will be made in June 2007. The Town paid the Castle Valley Special Service District \$24,518 for road chipping. The Town also awarded the new sanitation contract to City Sanitation for 5 years and expires May 2011. The Town also approved a 6% percent municipal energy sales and use tax on the gas and electric utilities. The tax collection begins on January 1, 2007.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Recorder, Jamie Jensen at PO Box 325, Cleveland, Utah 84518.

**CLEVELAND TOWN
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 32,983	\$ 9,471	\$ 42,454
Cash restricted	132,187		132,187
Due from other funds		32,719	32,719
Taxes receivable	8,870		8,870
Capital assets (net of accumulated depreciation):			
Land	66,711		66,711
Water stock		241,277	241,277
Buildings	171,052		171,052
Improvements other than buildings	231,327		231,327
Machinery and equipment	205,897		205,897
Infrastructure	1,673,736		1,673,736
Total assets	\$ 2,522,763	\$ 283,467	\$ 2,806,230
<u>LIABILITIES</u>			
Accounts payable	\$ 3,780	\$ 3,529	\$ 7,309
Accrued liabilities	2,157	402	2,559
Due to other funds	32,719		32,719
Deferred revenues	8,870		8,870
Customer deposits	50	350	400
Total liabilities	\$ 47,576	\$ 4,281	\$ 51,857
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,348,723	\$ 241,277	\$ 2,590,000
Restricted for:			
Class "C" Roads	8,619		8,619
Perpetual Care Fees	125,062		125,062
Unrestricted	(7,217)	37,909	30,692
Total net assets	\$ 2,475,187	\$ 279,186	\$ 2,754,373

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	CHARGES FOR		OPERATING GRANTS AND CONTRIBUTIONS		GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
	EXPENSES	SERVICES		CAPITAL GRANTS AND CONTRIBUTIONS			
Primary government:							
Governmental activities:							
General government	\$ 95,666	\$ 2,015	\$		\$ (93,651)	\$ (93,651)	\$ (93,651)
Public safety	4,549		494		(4,055)		(4,055)
Highways and public improvements	100,374		27,242	\$ 133,757	60,625		60,625
Parks and recreation	52,852	12,177		61,537	20,862		20,862
Community and economic development	8,525				(8,525)		(8,525)
Total governmental activities	\$ 261,966	\$ 14,192	\$ 27,736	\$ 195,294	\$ (24,744)		\$ (24,744)
Business-type activities:							
Water, Sewer and Garbage	\$ 76,383	\$ 93,056				\$ 16,673	\$ 16,673
Total business-type activities	\$ 76,383	\$ 93,056				\$ 16,673	\$ 16,673
Total primary government	\$ 338,349	\$ 107,248	\$ 27,736	\$ 195,294	\$ (24,744)	\$ 16,673	\$ (8,071)
General revenues:							
Property taxes					\$ 18,874	\$	\$ 18,874
General sales and use tax					69,375		69,375
Franchise tax					567		567
Miscellaneous					3,452		3,452
Unrestricted investment earnings					6,247	\$ 393	6,640
Perpetual care fees					995		995
Total general revenues					\$ 99,510	\$ 393	\$ 99,903
Change in net assets					\$ 74,766	\$ 17,066	\$ 91,832
Net assets - beginning					2,400,421	262,120	2,662,541
Net assets - ending					\$ 2,475,187	\$ 279,186	\$ 2,754,373

"The notes to the financial statements are an integral part of this statement."

**CLEVELAND TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

**GOVERNMENTAL
FUND TYPES**

	<u>GENERAL</u>	<u>PERMANENT</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 30,582	\$ 2,401	\$ 32,983
Cash restricted	7,125	125,062	132,187
Taxes receivable	8,870		8,870
Due from other funds		3,400	3,400
Total assets	<u>\$ 46,577</u>	<u>\$ 130,863</u>	<u>\$ 177,440</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 3,780		\$ 3,780
Accrued liabilities	2,157		2,157
Deferred revenues	8,870		8,870
Customer deposits	50		50
Due to other funds	36,119		36,119
Total liabilities	<u>\$ 50,976</u>	<u>\$...</u>	<u>\$ 50,976</u>
Fund balances:			
Reserved for:			
Class C Roads	\$ 8,619		\$ 8,619
Perpetual Care Fees		\$ 125,062	125,062
Unreserved, reported in:			
General fund	(13,018)		(13,018)
Perpetual Care Fees		5,801	5,801
Total fund balances	<u>\$ (4,399)</u>	<u>\$ 130,863</u>	<u>\$ 126,464</u>
Total liabilities and fund balances	<u>\$ 46,577</u>	<u>\$ 130,863</u>	<u>\$ 177,440</u>

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental fund types: \$ 126,464

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Land and easements	\$	66,711	
Buildings		171,052	
Improvements other than buildings		231,327	
Machinery and equipment		205,897	
Infrastructure		<u>1,673,736</u>	
			<u>2,348,723</u>

Net assets of governmental activities \$ 2,475,187

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	TOTAL GOVERNMENTAL FUNDS		
	GENERAL	PERMANENT CEMETERY	TOTALS
REVENUES:			
Taxes	\$ 88,816		\$ 88,816
Licenses and permits	890		890
Intergovernmental	89,273		89,273
Charges for services	5,499		5,499
Miscellaneous revenue	12,652	\$ 4,851	17,503
Total revenues	\$ 197,130	\$ 4,851	\$ 201,981
EXPENDITURES:			
Current:			
General government	\$ 84,586		\$ 84,586
Public safety	16,542		16,542
Highways and public improvements	26,227		26,227
Parks, recreation, and public property	79,513		79,513
Cemetery	8,525		8,525
Total expenditures	\$ 215,393	\$...	\$ 215,393
Excess revenues over (under) expenditures	\$ (18,263)	\$ 4,851	\$ (13,412)
OTHER FINANCING SOURCES (USES):			
Perpetual care fees		\$ 995	\$ 995
Transfer in (out)	\$ 4,610	(4,610)	
Total other financing sources (uses)	\$ 4,610	\$ (3,615)	\$ 995
Excess of revenues and other sources over (under) expenditures and other uses	\$ (13,653)	\$ 1,236	\$ (12,417)
FUND BALANCES - beginning of year	9,254	129,627	138,881
FUND BALANCES - end of year	\$ (4,399)	\$ 130,863	\$ 126,464

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(12,417)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$199,741) exceeded depreciation (\$112,558) in the current period.

87,183

Change in net assets of governmental activities	\$	<u><u>74,766</u></u>
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"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES:				
Taxes:				
Property taxes	\$ 16,852	\$ 19,152	\$ 18,874	\$ (278)
General sales and use tax	56,000	68,000	69,375	1,375
Franchise tax			567	567
Licenses and permits	2,200	1,500	890	(610)
Intergovernmental	162,400	193,772	89,273	(104,499)
Charges for services	8,500	11,200	5,499	(5,701)
Investment earnings	1,000	6,164	1,397	(4,767)
Miscellaneous revenue	2,000	1,200	11,255	10,055
Total revenues	\$ 248,952	\$ 300,988	\$ 197,130	\$ (103,858)
EXPENDITURES:				
Current:				
General government:				
Administration	\$ 77,500	\$ 84,554	\$ 83,984	\$ 570
Elections	452	603	602	1
Total general government	\$ 77,952	\$ 85,157	\$ 84,586	\$ 571
Public safety:				
Fire	\$ 5,000	\$ 17,569	\$ 16,542	\$ 1,027
Total public safety	\$ 5,000	\$ 17,569	\$ 16,542	\$ 1,027
Highways and public improvements:				
Highways - general	\$ 1,000	\$ 1,700	\$ 1,518	\$ 182
Class "C" roads	24,000	24,709	24,709	
Total highways and public improvements	\$ 25,000	\$ 26,409	\$ 26,227	\$ 182

"The notes to the financial statements are an integral part of this statement."

**CLEVELAND TOWN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
Parks, recreation, and public property:				
Parks	\$ 139,200	\$ 167,035	\$ 69,745	\$ 97,290
Recreation	9,450	10,300	9,768	532
Cemetery	3,500	9,200	8,525	675
Total parks, recreation and public property	\$ 152,150	\$ 186,535	\$ 88,038	\$ 98,497
Total expenditures	\$ 260,102	\$ 315,670	\$ 215,393	\$ 100,277
Excess of revenue over (under) expenditures	\$ (11,150)	\$ (14,682)	\$ (18,263)	\$ (3,581)
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 11,150	\$ 40,000	\$ 4,610	\$ (35,390)
Total other financing sources (uses)	\$ 11,150	\$ 40,000	\$ 4,610	\$ (35,390)
Excess of revenues and other sources over (under) expenditures and other uses		\$ 25,318	\$ (13,653)	\$ (38,971)
Fund balances - beginning of year			9,254	9,254
Fund balances - end of year	\$...	\$ 25,318	\$ (4,399)	\$ (29,717)

"The notes to the financial statements are an integral part of this statement."

**CLEVELAND TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE</u>	<u>WATER, SEWER UTILITY FUND</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 9,471	
Due from other funds		32,719
Total current assets	\$ 42,190	
Noncurrent assets:		
Water stock	\$ 241,277	
Total noncurrent assets	\$ 241,277	
Total assets	\$ 283,467	
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 3,529	
Accrued liabilities		402
Customer deposits payable		350
Total liabilities	\$ 4,281	
Net Assets:		
Invested in capital assets, net of related debt	\$ 241,277	
Unrestricted		37,909
Total net assets	\$ 279,186	

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE
	WATER UTILITY
Operating revenues:	
Charges for sales and services	\$ 93,056
Total operating revenues	\$ 93,056
Operating expenses:	
Employee salaries	\$ 11,199
Employee benefits	857
Equipment supplies and maintenance	816
Garbage collection fees	13,155
Professional and technical	43,638
Water assessments	6,718
Total operating expenses	\$ 76,383
Operating income (loss)	\$ 16,673
Nonoperating revenues (expenses):	
Interest revenue	\$ 393
Total nonoperating revenues (expenses)	\$ 393
Change in net assets - increase (decrease)	\$ 17,066
Total net assets - beginning	262,120
Total net assets - ending	\$ 279,186

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
STATEMENT OF CASH FLOW - PROPRIETARY FUND TYPES
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED JUNE 30, 2006

	PROPRIETARY FUND TYPES	
	ENTERPRISE	
Cash flow from operating activities:		
Cash received from customers	\$ 93,056	
Cash payments to suppliers for goods and services	(65,127)	
Cash payments to employees for services	(11,654)	
Net cash (used) provided by operating activities		\$ 16,275
Cash flows from noncapital financing activities:		
Loans to other funds	\$ (32,719)	
Deposits from customers	200	
Net cash (used) provided by noncapital financing activities		(32,519)
Cash flow from investing activities:		
Interest and dividends on investments	\$ 393	
Net cash provided by investing activities		393
Net increase (decrease) in cash and cash equivalents		\$ (15,851)
Cash equivalents at beginning of year		25,322
Cash equivalents at end of year		<u>\$ 9,471</u>

"The notes to the financial statements are an integral part of this statement."

CLEVELAND TOWN
STATEMENT OF CASH FLOW - PROPRIETARY FUND TYPES
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED JUNE 30, 2006

	PROPRIETARY FUND TYPES	
	ENTERPRISE	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income/(loss)	\$	16,673
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		
Change in assets and liabilities:		
Increase (decrease) in accounts payable	\$	(800)
Increase (decrease) in accrued liabilities		402
Total adjustments		(398)
Net cash provided by operating activities:	\$	16,275

"The notes to the financial statements are an integral part of this statement."

**CLEVELAND TOWN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. DEFINITION OF REPORTING ENTITY

Cleveland Town is located in Southeastern Utah in Emery County. The Town government consists of a Mayor and Four Town Council members. The approximate population of the Town is 550.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1) The financial statements include:

Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

2) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

A. Reporting Entity

All financial activities and entities over which the Town has financial accountability are included in this report. The inclusion or exclusion of these entities was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability by elected officials of the Town. In addition to financial accountability, consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operation, and accountability for fiscal matters. At June 30, 2006, the Town had no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

B. Government-Wide and Fund Financial Statements

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations. These statements report information on all of the non-fiduciary activities of the Town. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The statement of net assets is the basic government-wide statement of position that presents all of the Town's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund – The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Permanent Fund – The Permanent fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

The Town reports the following major proprietary funds:

The Combined Enterprise Fund accounts for the operation and maintenance of the Town's water, sewer and garbage distribution systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources, as they are needed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

D. Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. During May of each year, the Mayor submits to the Town Council a proposed operating budget for the next fiscal year commencing July 1st. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
2. Copies of the proposed budget are made available for public inspection and review by the citizens of the Town.
3. If the Town does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the Town exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
4. Once adopted, the budget can be amended by subsequent Town Council action. The Town Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
5. Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2006, have been included in the final budget approved by the Town Council, as presented in the financial statements.
6. Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

E. Cash and Cash Equivalents

The Town considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

F. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

G. Capital Assets

Capital assets, which include water stock, land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, equipment, and infrastructure assets of the Town are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20-40
Machinery and equipment	5-20
Infrastructure	25-40

H. Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid. Actual liability for unused vacation has been computed using current pay rate per hour for each hour of vacation. It is the Town's policy not to accrue unpaid vacation or sick leave.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The Town currently does not have any long-term debt.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

J. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

3. **DEPOSITS AND INVESTMENTS**

The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as cash and cash equivalents. Income from the investment of pooled cash is allocated based on fund balance. In addition, cash is separately held by individual funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. The Town does not have separate policies that address the specific types of deposit and investment risks to which the Town is exposed.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires the depositing of Town funds in a *qualified depository*. The Act defines a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Town's deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The Town's deposits at June 30, 2006, were \$10,023. Of these deposits, all were insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Authorized investments include negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

3. DEPOSITS AND INVESTMENTS (Continued)

The Town is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external investment pool managed by the Utah State Treasurer's Office. The PTIF is not registered with the SEC as an investment company, and is authorized and regulated by the Money Management Act and the Money Management Council. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees – of the PTIF are allocated based on the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Maturity</u>	<u>Quality Rating</u>
Utah Public Treasurer's Investment Fund	\$ 64,981	57 days *	Not Rated
Federal Securities F/M & FHLB	100,000		
* Weighted-average maturity			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investing only in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

4. RESTRICTED CASH

Restricted amounts are shown below.

General Fund

Class "C" Roads	\$ 8,619
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Permanent Fund

Perpetual Care Fees	\$ 125,062
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5. PROPERTY TAXES

The property tax revenue of the Town is collected and distributed by the Emery County treasurer as an agent of the Town. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2006, property taxes receivable consist of 1) taxes assessed as of January 1, 2006, but are not due and payable until November 20, 2006. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the County treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The Town recognizes age-based fees as revenues when collected by the County.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u>
Primary Government					
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 50,886	\$ 15,825			\$ 66,711
Total capital assets not being depreciated	\$ 50,886	\$ 15,825	\$...	\$...	\$ 66,711
Capital assets being depreciated:					
Buildings	\$ 274,594				\$ 274,594
Improvements other than buildings	315,656	\$ 15,463			331,119
Machinery and equipment	303,366	34,697			338,063
Infrastructure	2,327,264	133,757			2,461,021
Total capital assets being depreciated:	\$ 3,220,880	\$ 183,917	\$...	\$...	\$ 3,404,797
Less accumulated depreciation for:					
Buildings	\$ 96,677	\$ 6,865			\$ 103,542
Improvements other than buildings	81,426	18,366			99,792
Machinery and equipment	107,753	24,413			132,166
Infrastructure	724,371	62,914			787,285
Total accumulated depreciation	\$ 1,010,227	\$ 112,558	\$...	\$...	\$ 1,122,785
Total capital assets being depreciated, net	\$ 2,210,653	\$ 71,359	\$...	\$...	\$ 2,282,012
Governmental activities capital assets, net	\$ 2,261,539	\$ 87,184	\$...	\$...	\$ 2,348,723

6. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Water stock	\$ 241,277				\$ 241,277
Total capital assets not being depreciated	\$ 241,277	\$...	\$...	\$...	\$ 241,277
Capital assets being depreciated:					
Machinery and equipment					
Total capital assets being depreciated:	\$...	\$...	\$...	\$...	\$...
Less accumulated depreciation for:					
Machinery and equipment					
Total accumulated depreciation	\$...	\$...	\$...	\$...	\$...
Total capital assets being depreciated, net	\$...	\$...	\$...	\$...	\$...
Business-type activities capital assets, net	\$ 241,277	\$...	\$...	\$...	\$ 241,277

6. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 11,080
Public safety	3,832
Highways and public improvements	74,147
Parks and recreation	<u>23,499</u>
Total depreciation expense - governmental activities	<u>\$ 112,558</u>

7. **WATER STOCK**

Because Cleveland Town is located in a semi-arid part of Utah and because the water supply is somewhat limited, the Town began purchasing water shares in 1982. New home construction in the Town is extremely limited because of water availability. The purchase of water shares by the Town has been made to allow for new construction at which time the water shares will be sold to prospective homebuyers.

The water shares are uninsured. The carrying value of the water shares is their cost, \$241,277. Exact market value is unknown; however, market is felt to be substantially greater than cost.

8. **FRANCHISE TAXES**

Franchise taxes are utility user pass-through taxes currently assessed at 3% of the related revenues of the cable television company, and are paid periodically throughout the year to the Town of Cleveland by the cable company.

9. RESTRICTED BALANCES

Class "C" Roads

Cash received but unspent at June 30, 2006, relating to Class "C" Road funds are restricted, and the appropriate reserved fund balance is also restricted for the purpose for which these funds were received.

Cemetery Perpetual Care Funds

This restricted fund balance and cash represents the accumulated amount received during the past years under the perpetual care plan maintained in connection with operations of the Town Cemetery. During the current year, \$995 was received for perpetual care purposes. This amount was added to the Fund. The Perpetual Care Fund produced \$4,850 of interest income during the year. The interest revenue is used to maintain and operate the cemetery.

10. BUDGET VARIANCES

For the year ended June 30, 2006, the Town had no unfavorable budget variances.

11. PROPERTY TAX CALENDAR

The Town adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the County as of July 1. The taxes are payable to the County treasurer by the end of November and are remitted to the Town by the county treasurer as collected.

12. RISK MANAGEMENT

Cleveland Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured through commercial companies for its general liability coverage. At June 30, 2006, the Town had no claims or judgments filed against it related to the risks mentioned above.

13. PUBLIC INVESTMENT POOLS

Cleveland Town invests money with the Utah Public Treasurers Investment Fund. It is managed by the Utah State Treasurer and is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested in securities permitted by the Act and contain no withdrawal restrictions. Monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

14. **BUDGET CHANGES**

Below is a summary of the final budget for the fiscal year ended June 30, 2006:

<u>FUND</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET AMENDMENT NO. 1</u>	<u>FINAL BUDGET 06-30-06</u>
General	\$ 260,102	\$ 80,886	\$ 340,988

15. **DEFICIT FUND BALANCE**

The General Fund balance has an overall deficit fund balance as of June 30, 2006, which will need to be corrected in the current year. The Town has developed appropriate strategies to ensure that the fund balance is restored to a proper balance.

16. **PENSION PLANS**

Cost sharing Defined Benefit Pension Plans

Plan Description – The Town contributes to the Local Governmental Noncontributory Retirement System, which is for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans, administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System, which is for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Noncontributory Retirement System are not required to contribute to the Retirement System. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.090% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Town's contributions to the Local Governmental Noncontributory Retirement System, the contribution for June 30, 2006, 2005 and 2004 were \$4,040, \$4,028, and \$0, respectively and for the employee paid contributions to the 457 plan for June 30, 2006, 2005 and 2004 were \$650, \$200 and \$0 respectively. The contributions were equal to the required contributions for the year.